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MINISTRY OF FOOD AND AGRICULTURE

(Department of Food)

RESOLUTION

New Delhi, the 22nd August 1962

No. 8-63/61-SEXP.—In their Resolution No. 63(6)-T.R./60 dated the 3rd October 1960, the Central Government requested the Tariff Commission to examine in all its aspects the statutory formula set out in the Schedule to the Sugarcane (Control) Order, 1955 for payment of additional price to the grower of sugarcane, in the light of the representations made by the manufacturers of sugar and growers of sugarcane and the control over the ex-factory price of sugar on the basis of cost structure recommended by the Tariff Commission and to suggest modifications in the existing formula, or a revised formula. The Commission submitted its report on 8th June 1961. The main recommendations of the Commission and the decisions the Government have now reached on them are indicated in the subsequent paragraphs.

2. The Commission's recommendations are:—

- (a) The scheme of linking the price of cane with the price of sugar which is not linked with the quality of cane, which completely ignores the interests of the consumers and does not also promote good relations between the growers and the miller, is not in the larger interests of the sugar economy and should be terminated as soon as possible.
- (b) In view of the historical background in which the price linking formula was evolved and the undertakings given which have nourished the growers' expectation of an additional payment over the minimum price, the scheme of price linking will have to be continued for the seasons 1958-59 to 1961-62. For subsequent seasons, this arrangement should be terminated.
- (c) The payment of deferred cane price should apply to areas where the price of sugar was under statutory control.
- (d) A new formula should be applied on an all-India basis for the seasons 1958-59 to 1961-62 for computing the deferred price payable to the growers. In this formula, the share of the cultivator has been fixed at 45 per cent. of the additional sugar price and that of the miller at 30 per cent, the balance 25 per cent being represented by taxes on the share of the miller.

- (e) The incentives given by the Government for increasing production of sugar, should be shared in the same ratio as suggested for sharing the additional realizations over and above the fair ex-factory price of sugar, but the amount calculated as growers' share out of the incentives should be treated separately from the amount calculated as growers' share out of additional realizations. That is to say, the deficit under one should not be allowed to be set off against the growers' share under the other.
- (f) An *ad hoc* provision of 40 nP. for 10 per cent. recovery and a duration of 150 days as rehabilitation allowance should be provided when applying the formula in the Northern Region and 20 nP. for Madhya Pradesh and Rajasthan. For other regions, having regard to the state of the industry there, no provision for rehabilitation allowance is necessary.
- (g) As an interim arrangement, i.e., after the termination of the present arrangement and pending introduction of payment by quality, arrangement should be made to offer a collective incentive as in Maharashtra, to all cane-growers attached to a factory in the form of a premium element in the price of cane depending on the extent to which the average recovery of the preceding season is an improvement on the previous average.
- (h) New factories should be exempted from payment of deferred cane price and the share in the incentives for a period of three years from the date of their establishment.
- (i) The price linking formula for sharing of advantage of incentives need not be applied to the States of Maharashtra and Gujarat.
- (j) There is no objection to cooperative factories being exempted from the operation of the formula so far as the member-growers are concerned. The formula should, however, apply to quantities of cane purchased from non-members.
- (k) If a sugar mill desires that on grounds of financial stringency it should be exempted wholly or partially from payment of deferred price, it should apply to Government for such exemption with all relevant documents regarding its production, sales, financial account etc., of the particular year.
- (l) Steps should be taken by both the Central and State Governments to introduce payment according to quality of sugarcane delivered to the factory on an all-India basis as early as possible.

3. The Government of India have accepted the recommendations at items (a), (b), (c), (g), (h), (i), (j), (k) and (l) of paragraph 2 above. Government have also decided to implement the Commission's recommendations regarding the linking of sugarcane price with the recovery of the preceding year with effect from the year 1962-63.

4. The new formula, mentioned at item (d) of paragraph 2 above, suggested by the Commission for computing the additional price payable to the growers for the season 1958-59 to 1961-62, has been examined from all angles and aspects and its implications and effect have been carefully considered. After reviewing the matter, Government consider that it would be more appropriate, equitable and reasonable to apply the existing formula set out in the Sugarcane (Control) Order, 1955 after suitable adaptations and amendments in order to incorporate the suggestions of the Commission for the inclusion of allowances for rehabilitation and export losses, for adjustment of costs and for the sharing of incentives, than to accept the new formula for retrospective application. Government have, therefore, decided to retain the existing formula after making suitable changes, for determining the additional price that might be found due to the growers for the years 1958-59 to 1961-62. The changes would involve the incorporation in the existing formula of a more precise determination of the share of the cultivator in the net price, the inclusion of a suitable rehabilitation allowance and amount of export loss in the deductions from the gross realization and a modification in the portion of incentives to be included in the realizations to be shared. Steps are being taken to work out suitable legislation to amend the existing formula and to make it applicable retrospectively.

5. As regards item (e) of paragraph 2 above, the Government of India, having regard to the background of the scheme of incentives and to give effect generally to the recommendation of the Commission, have decided that out of the incentives allowed by Government for increasing production of sugar by way of 50 per cent. rebate in basic excise duty, 25 per cent. should be left with the industry to meet taxes and other outgoings and only 75 per cent of the amount so earned should be taken into account for determining the additional cane price payable to the growers, and rebates of cane cess or cane purchase tax and other rebates should be taken into account in full for the purpose of such determination.

6. The recommendation at item (f) of paragraph 2 for the grant of a rehabilitation allowance of 40 nP per maund of sugar to the factories in the Northern Region and of 20 nP in Madhya Pradesh and Rajasthan, needs modification. If accepted, it would lead to discrimination and also the allowance for rehabilitation would have no relation to actual allocations made for the purpose. Government have, therefore, decided that suitable allowance should be authorized only in the case of those factories which have, in fact, set apart funds or utilized some amount on rehabilitation during the years 1958-59 to 1961-62.

7. The Commission has also recommended that the cost schedules prepared by the Commission in 1959 for determining the cost structure of sugar and fair price payable to the sugar industry, should be brought up-to-date by adjusting changes not covered by the allowance for contingencies in the original schedules and that allowance should be made for export loss also. Government have accepted these recommendations.

ORDER

Ordered that a copy of this Resolution be communicated to all concerned and that it be published in the Gazette of India.

V. SHANKAR, Secy.

